

Before the  
Copyright Royalty Tribunal  
Washington, D.C.

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In the Matter of

Compulsory License for Secondary  
Transmissions by Cable Systems;  
Royalty Adjustment Proceeding.

NATIONAL CABLE TELEVISION ASSOCIATION  
ECONOMIC AND OTHER STUDIES

The National Cable Television Association ("NCTA") hereby submits its economic and other studies in the above-captioned proceeding in response to the Copyright Royalty Tribunal's Notice of January 1, 1980. 45 Fed. Reg. 63.

Section 804(a)(1) of the Copyright Act requires that the Tribunal conduct a proceeding in 1980 with respect to the level of cable television royalty rates in accordance with Section 801(b)(2)(A) and (D). Section 801(b)(2) empowers the Tribunal "to make determinations concerning the adjustment of the Copyright royalty rates in Section 111 solely in accordance with the following provisions..." This means that the Tribunal's discretion to adjust the rates set out in Section 111(d)(2) is limited to the explicit criteria contained in subsections (A) and (D).

DSE Rate Adjustment

Subsection (A) authorizes the Tribunal to adjust the royalty rates for cable systems which receive semi-annual gross revenues from basic cable service of more than \$160,000. These systems pay a royalty fee calculated as a percentage of such revenues based on the number of distant signal equivalents ("DSE's") they retransmit. Subsection (A) states, in full, as follows:

The rates established by section 111(d)(2)(B) may be adjusted to reflect (i) national monetary inflation or deflation or (ii) changes in the average rates charged cable subscribers for the basic service of providing secondary transmissions to maintain the real constant dollar level of the royalty fee per subscriber which existed as of the date of enactment of this Act: Provided, That if the average rates charged cable system subscribers for the basic service of providing secondary transmissions are changed so that the average rates exceed national monetary inflation, no change in the rates established by section 111(d)(2)(B) shall be permitted: And provided further, That no increase in the royalty fee shall be permitted based on any reduction in the average number of distant signal equivalents per subscriber. The Commission may consider all factors relating to the maintenance of such level of payments including, as an extenuating factor, whether the cable industry has been restrained by subscriber rate regulating authorities from increasing the rates for the basic service or providing secondary transmissions.

The first measure for a possible rate adjustment under subsection (A) is "national monetary inflation or deflation". The Act and the legislative history state that the purpose of

this adjustment proceeding is to "maintain the real constant dollar level of the royalty fee per subscriber which existed as of the date of enactment" (October, 1976). The term "real constant dollar level" is not defined in the Act or the legislative history. Since the inflation figure since 1976 appears to be the theoretical upper boundary of any adjustment, the selection of the proper inflation/deflation index is extremely important. Exhibit 1 is a memorandum on this subject by an economist, Robert W. Crandall. His paper is intended to demonstrate that the most accurate measurement index is the Personal Consumption Expenditure (PCE) deflator. Two substantiating newspaper articles re the distortions in the Consumer Price Index (CPI) are appended thereto.

Subsection (A) contains two absolute limits on any upward rate adjustment. First, if the average basic service rate increases at a rate equal to or more than inflation, no royalty fee change can be ordered. Second, no increase in the fee can be based on a reduction in average DSE's per subscriber.

Exhibit 2 is a survey conducted for NCTA by the A.C. Nielsen Company. A random sample of 151 cable systems were polled in order to determine the average basic service rate in place in late 1976 and again on April 1, 1980. The difference establishes the relevant percentage increase for purposes of subsection (A). This exhibit also establishes that the second

adjustment measurement under Subsection (A), "changes in the average rates...", cannot be used to justify an increase in the royalty rates since average cable service rates increased.

NCTA's research department conducted a study of randomly selected Statement of Account forms filed by 100 cable systems with the Copyright Office. This study is marked as Exhibit 3. Table 3 of this Exhibit shows the average number of DSE's per system in the first reporting period in 1978 and the second reporting period in 1979. Exhibit 4 is a summary of the information upon which Congress based its 1976 royalty rate collection estimates. This exhibit shows the average DSE per system which was assumed to exist in 1976.

Subsection (A) permits the Tribunal to consider all relevant "extenuating" factors in its decision. Several data submissions are outlined below and appended hereto as exhibits. NCTA will contend that this information is relevant to the Tribunal's deliberations. Exhibit 3, as described above, is an analysis of cable industry copyright royalty payments during the initial and most recent reporting periods. Table 1 shows the increases in average subscribers, gross receipts from the basic service, average royalty fee paid and the average royalty fee paid per subscriber. Table 2 breaks these figures down by the category of payment. Thus, for example, the figures relevant to the adjustment under subsection (A) appear in the third group of columns. Table 3 records the average number of DSE's

As noted above, the entire purpose of subsection (A) is to "maintain the real constant dollar level of the royalty fee per subscriber which existed as of the date of enactment". Table 2 of Exhibit 3 demonstrates, among other things, the "royalty fee per subscriber" for those systems having semi-annual gross revenues exceeding \$160,000. This is provided for the first period of 1978 and the second period of 1979. Since the relevant initial time period under subsection (A) is "the date of enactment of this Act", it is necessary to determine the royalty fee per subscriber as of October, 1976. Exhibit 4, which is derived from the information supplied to the Congress in 1976 and used to substantiate the royalty fee estimates cited in the legislative history, supplies this information.

Exhibit 5 charts the total cable industry copyright payments in the four periods thus far. The bar charts illustrate the amounts paid in and their relative size. The tabulation provides information on the amount of royalty fees collected by revenue category, and calculates the percentage of the royalty payment which each category represents.

Exhibits 6 and 7 contain data on the growth of pay cable and the developing potential cable markets for the program supply industry. This information is intended to demonstrate the importance of the relationship between basic cable and the non-broadcast services being increasingly offered by cable systems.

Small System Dollar Limits

Subsection (D) states as follows:

The gross receipts limitations established by section 111(d)(2)(C) and (D) shall be adjusted to reflect national monetary inflation or deflation or changes in the average rates charged cable system subscribers for the basic service of providing secondary transmissions to maintain the real constant dollar value of the exemption provided by such section; and the royalty rate specified therein shall not be subject to adjustment.

The dollar limits are to be adjusted in order to "maintain the real constant dollar value of the exemption." The legislative history directs the Tribunal "to insure that systems of the same size as are now entitled to the exemptions...continue to be so entitled." House Report No. 94-1476, p. 177.

Table 2 of Exhibit 2 demonstrates the average subscriber rates in 1976 and 1980. Table 3 breaks this information down by system size. This information shows that average basic service rates since October 1976 have decreased the size of the systems able to take advantage of the exemptions. Exhibit 1 argues for the most appropriate inflation measurement. These pieces of information should enable the Tribunal to increase the gross receipts limitations so as "to maintain the real constant dollar value of the exemption."

Conclusion

The attached exhibits do not exhaust the evidence which NCTA will offer during the oral hearing phase of the proceeding. They are, however, responsive to the Tribunal's request for submission of economic and other studies which will be relied on by the parties to the proceeding. NCTA reserves the right to establish the probity and relevance of these exhibits during the oral hearing.

Respectfully submitted,

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May 19, 1980

## THE CHOICE OF AN INFLATION INDEX

Robert W. Crandall

The Copyright Act requires that the compulsory license fees for cable service be adjusted "to maintain the real constant dollar level of the royalty fee per subscriber."

Without inquiring into the meaning of this phrase -- i.e., whether it requires a simple adjustment for inflation or an adjustment net of the effect of the progression through the steps of the copyright-fee schedule -- we may ask how best to measure the rate of inflation since 1976 for the purposes of this copyright adjustment.

The rate of inflation in the economy may be measured in a variety of different ways. Since any increase in prices reflects a weighted average of a myriad of price changes, the choice of index depends importantly upon the market basket we wish to examine. If we are interested in measuring the increase in the prices of all goods and services in the economy, private and government, the GNP deflator is probably the best measure. If we wish to exclude government because the market-basket in question excludes government purchases of goods and services, the best choice is the Gross Domestic Business Product deflator. If we wish to measure the inflation in consumers' market baskets only, we should use either the Personal Consumption Expenditure deflator or the Consumer Price Index adjusted for



certain anomalies. The Copyright Act is silent on this matter since it does not define "real".

Given that the copyright holder's income is the magnitude which we are adjusting for inflation, I would suggest that the Gross Domestic Business Product deflator or the PCE deflator would be the best choice. The GNP deflator includes government services which copyright owners do not purchase directly. The CPI is a poor measure of recent inflation for the reasons detailed below.

The Consumer Price Index comes in two forms, the CPI-W, reflecting the market basket for all urban wage earners and their families, and the CPI-U, reflecting the purchases of all urban consumers. The former covers approximately 40 percent of the population; the latter embraces about 80 percent of Americans. The PCE deflator prices the market basket for all consumers.

The CPI-W and CPI-U measures overstate inflation because they give too much weight to rapidly-rising goods and services. The weights are revised only at ten-year intervals, thus despite consumers' substitutions against goods with rapidly-rising prices (e.g., gasoline), the weights remain unchanged for a decade. The PCE deflator uses current-period weights; hence, it avoids this bias.

Most importantly, the CPI measures housing costs by a complex formula which multiplies new housing prices by the

current mortgage interest rate. Clearly, this is not an accurate measurement of the average consumer's cost of housing in each period since only a small percentage of homeowners purchase their homes in a given month. The PCE deflator, on the other hand, uses a rental concept for housing, assuming that an owner's cost is equal to the opportunity cost of occupancy, which is the monthly rental rate on the house. While even this measure is far from ideal, at least it avoids the strong upward bias inherent in the CPI during periods of sharply-rising mortgage interest rates and new-house prices.

Finally, both the CPI and the PCE deflator suffer from the failure to adjust for improvements in product quality. Only new cars are adjusted for quality changes. Since the PCE deflator uses the CPI individual indexes (except for used cars and housing), the PCE shares the CPI's deficiency in this respect.

This means that any of the available indexes are likely to overadjust for inflation, particularly during a period of rapid advances in product quality. It would be difficult to avoid this upward bias since there are no thorough attempts to calculate the magnitude of product-quality improvements for all consumer products. Given this problem, it is important that other sources of upward bias be avoided, such as the treatment of housing in the CPI. In short, the PCE deflator is probably the least biased of the available measures.

The attached table demonstrates the difference between the movement in the CPI-U and the other measures of inflation for the period October 1976 through December 1979.

The PCE, GDBP, and GNP deflators each rose by about 25 percent in this period. The CPI-U, on the other hand, rose by more than 31 percent. Adjusting the CPI-U to remove the effect of housing costs is difficult because of the multiplicative nature of the treatment of new house prices and mortgage interest rates. Removing only the mortgage interest rate reduces the increase from 31.1 percent to 28.1 percent, but the overstatement due to the use of new house prices remains. To take out the housing component altogether is rather unsatisfactory unless there is something to replace it. The best solution, therefore, is to use the PCE deflator in its place.

## ALTERNATIVE INDEXES OF INFLATION

Year	CPI-U (Seasonally Adjusted)		CPI-U Less Mortgage Interest Rates (Not Seasonally Adjusted)		Gross Domestic Private Product Business Defla- tor	GNP	PCE
1976							
October	173.2		171.1				
November	173.9	IV	171.7	IV	135.5	136.3	135.6
December	174.7		172.3				
1977							
January	175.9		173.3				
February	177.5	I	175.1	I	137.3	138.3	137.9
March	178.5		176.2				
April	179.6		177.6				
May	180.3	II	178.5	II	140.0	140.9	139.9
June	181.3		179.7				
July	182.2		180.4				
August	182.9	III	181.0	III	141.7	142.6	141.6
September	183.8		181.6				
October	184.5		182.1				
November	185.6	IV	183.0	IV	143.6	144.8	143.2
December	186.6		183.6				
1978							
January	187.8		184.7				
February	188.9	I	185.8	I	145.7	147.0	146.2
March	190.4		187.1				
April	191.8		188.8				
May	193.3	II	190.5	II	149.8	150.8	149.3
June	195.0		192.3				
July	196.3		193.4				
August	197.5	III	194.2	III	152.6	153.4	151.6
September	199.2		195.5				
October	200.9		196.9				
November	202.2	IV	197.9	IV	155.6	156.7	153.8
December	203.5		198.7				
1979							
January	205.4		200.3				
February	207.7	I	202.3	I	159.1	160.2	157.8
March	209.8		204.1				
April	211.8		206.4				
May	214.0	II	208.7	II	162.8	163.8	161.3
June	216.2		211.0				
July	218.5		213.0				
August	220.7	III	214.7	III	166.1	167.2	165.1
September	223.3		216.7				
October	225.5		218.3				
November	227.8	IV	219.8	IV	169.1	170.7 <sup>P</sup>	169.0 <sup>P</sup>
December	230.6		221.7				
Percentage Change							
1976-IV to 1979-IV	31.1%		28.1%		24.8%	25.2%	24.6%

# The New York Times

Founded in 1851

ADOLPH S. OCHS, Publisher 1896-1935

ARTHUR HAYS SULZBERGER, Publisher 1935-1961

ORVILLE E. DRYFOOS, Publisher 1961-1963

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## Budget Nickels and Dimes Won't Do

President Carter's revision of the Federal budget for the next fiscal year is, as promised, a conventional paring of many Federal programs. What it cuts it cuts about as well as could be expected. What it leaves untouched is what no society struggling with extraordinary inflation can afford to ignore.

The President nickels and dimes his way to shaving \$15 billion from his original 1981 budget to eliminate its expected deficit. He hopes this belated display of prudence will reassure an alarmed public that inflation can be restrained. One could argue with the details of the new proposals; why kill the experimental job programs for those on welfare, for example, while also delaying welfare reform? But by and large, the pruning is sensible. It will demand sacrifice from many, but without taking too much from the poor, who have the least to spare.

What is most wrong with the President's plan is not what it proposes but what it neglects. The Federal Government may be able to approach a balanced budget next year by cutting a little here and a little there. But these expedients will not significantly restrain the buoyant growth of Government spending.

For that to happen, while defense spending remains politically and diplomatically untouchable, Washington will have to find the courage to wrestle with the huge entitlement programs, like Social Security and Federal pensions, which are automati-

cally driven up with every rising point of inflation.

These programs were relatively inexpensive when first begun, decades ago. They did not arouse much concern in the 1960's, when they could grow in a prospering economy because defense spending declined. But now, with the Pentagon in need and inflation frighteningly high, they require a cold hard look.

The United States probably cannot afford their present generosity. That does not mean retirement programs need to be brutally slashed. Some important economies would be fairly easy.

The Consumer Price Index, for example, which is used to adjust many of the benefits for inflation, has overstated the real rise in living costs in recent years, largely because of the heavy weight it gives to interest rates. This statistical quirk has cost the Government billions. The index should be replaced by one that more accurately reflects the changing living costs of the retired. Another substantial saving could be found by taxing half the Social Security benefits of those who are in no sense poor. Higher taxes could also be levied on the unemployment benefits of individuals with other income.

Neither the President nor Congress has been willing to think about these unthinkable. And they won't as long as they believe their political calculation has been right. But if Government is ever to control its spending and make room in the budget for new priorities, these tender subjects should be forced to the forefront.

## Letters

### Will Carter's Real Mi

To the Editor:

The latest "explanation" by Secretary Vance of the American vote in support of the anti-Israel resolution at the U.N. raises new doubts about the Carter Administration's policy toward Israel.

Before the House Foreign Affairs Committee, the Secretary of State corrected Jimmy Carter's correction of the Administration's March 1 vote in the Security Council. According to Secretary Vance, the U.S. vote was not a mistake, as President Carter had claimed, but was in fact the true expression of this Administration's Middle East policy.

As The Times reported (March 22): "President Carter disavowed the American vote against Israel . . . not because the resolution violated American policy but because of concern it would upset the current negotiations on Palestinian self-rule."

Whom, then, are we to believe? Do we take Jimmy Carter's word when he says the U.S. should have abstained because it was "in violation of my policy"? Or do we believe Cyrus Vance when he defends the wording of the original resolution by stating that it was consistent with all aspects of American policy? The American people have a right to know whether the U.N. vote was by accident or design, and whether the Carter Administration has indeed betrayed this nation's

long-standing policy, thereby doing well.

The election was David against Goliath. The Carter Administration's Arab sponsor, no secret, Kennedy, our country's rejectionist, said:

"The country turned its back on the most vital ally of the Middle East."

The conclusion — Mr. Vance's deed Carter found anxious with strategic interest, pernicious peace process.

If Secretary Vance's word, I define the term as a call for Israel's West Bank U.N. to endorse the result.

### The Shah's Trip Was Necessary

To the Editor:

On the very day you attacked the decision to admit the Shah to the United States for necessary treatment ["Was This Trip Necessary?" editorial March 21], other newspapers reported the worsening state of his health and his need for treatment.

\$60 B

To the Editor: The Administration to build the site system.

Sunday, May 4, 1980

# An Economy Heading Into the Grasp of 'Twin Ugly Evils'

By John M. Berry

Washington Post Staff Writer

Any lingering doubt about whether the nation was in the grip of a recession vanished last week in a barrage of dismal economic news.

Economists, busy revising their forecasts, were divided on estimates of how far the economy would drop. But they were unanimous in saying the recession would be much worse than they had been expecting.

In the opinion of some, 1980 could turn out to be the second-worst recession since the 1930s, surpassed only by the 1974-75 debacle. Alan Greenspan expects real economic activity to drop by "more than 3 percent" between now and the end of the year. Forecaster Larry Chimerine of Chase Econometrics echoed another Greenspan view when he said, "We believe that the major risks are still on the downside."

An economic decline that large would rival that of 1953-54, when output fell 3.3 percent but over four quarters. Most forecasters now predict the economy will fall only for three quarters this time, reaching the recession trough at year's end. If true, that could mean the 1980 drop will turn out to be steeper than that of the early 1950s.

Certainly the outlook is bleaker than for the "short and mild" recession

President Carter was still talking about two weeks ago. His comments were based on the administration's latest official forecast, which was updated only six weeks ago. That forecast accompanied major new moves by Carter and the Federal Reserve to dampen inflation, including balancing the 1981 budget, controls on consumer credit and added restraints on bank lending.

\* \* \* \*

**ECONOMY, From G1**  
dilemma we have so long feared, the twin ugly evils of accelerating inflation and the long-predicted recession.

The administration sought a mild recession for 1980 to try to prevent last year's surge in inflation, largely related to energy, from spilling over into bigger wage increases this year. If everyone tried to play catch-up, the Carter economists reasoned, it would push the nation's underlying rate of inflation to a new higher level that would take years to wring out of the economy.

During 1979, the rate of wage increase was remarkably steady, given the big jump in prices— even if a more accurate measure of inflation, such as the deflator for personal consumption spending, is used instead of the consumer price index increases, which has been exaggerated by the way housing costs are

treated. (See chart at right.)

Most analysts, including those in the administration, have been expecting wages to rise more rapidly in 1980, at least a percentage point faster than last year. Now they are not so sure. In April, for instance, the Labor Department's hourly earnings index, regarded by many economists as the best measure of wage change, was up only 8.3 percent for the latest 12 months—not much different from its level a year ago.

With the number of people out of work rising swiftly, employers may not have to increase their pay scales quite as fast to keep their present workers or to hire new ones. That could help reduce the rate of inflation later this year and in 1981. It also could lay the groundwork for a less inflationary recovery beginning next year, one administration economist pointed out.

But if the basic policy goal of pre-

A.C. NIELSEN COMPANY

EXHIBIT 2

NIELSEN HOMEVIDEO INDEX  
CABLE SYSTEM MANAGER SURVEY

PREPARED FOR:

NATIONAL CABLE  
TELEVISION ASSOCIATION

2002-05410

MAY, 1980

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I. LIMITATIONS

## I. LIMITATIONS

Estimates appearing in this report apply only to the universe described in Section IV, B.1.a., i.e., known cable systems as identified by Nielsen Station Index.

### A. STANDARD ERROR

Since estimates in this report are obtained from a sample, they may differ from estimates based on a complete census of cable systems in the sampling frame and using the same methodology.

Standard error is a measure of sampling variability for a probability sample. The standard errors apply only to a perfect probability sample. The achieved sample is not a perfect probability sample primarily because of non-response error (see Section I,B).

The chances are about 68 out of 100 that an estimate from a perfect probability sample would differ from a complete census of cable systems from the same sampling frame by less than one standard error. The chances are about 95 out of 100 that the difference would be less than twice the standard error.

### B. NON-RESPONSE ERROR

The achieved sample is not a perfect probability sample because information is not obtained from all cable systems. Although all of the cable systems chosen for the sample were called during the survey, the final sample excluded systems that refused to participate in the survey and systems where the manager could not be contacted. If the characteristics of non-contacted and non-cooperating cable systems differ from cable systems used in this report, the results of this survey may be affected.

### C. RESPONSE ERROR

Some cable systems may not always accurately report their characteristics. Every effort in questionnaire design and telephone interviewing was made to minimize these errors. The extent to which such "response errors" occurred in this study is unknown, but it is not unlikely that some of it occurred.

D. INTERVIEWER EFFECT

Despite efforts to create homogeneity in the interview technique, interviewers may have influenced responses.

E. PROCESSING ERRORS

Although every effort was made to assure quality in the processing of the data collected, some deviation from instructions may have occurred.

II. PERMISSIBLE USES

This study is furnished for the use of the National Cable Television Association. Nielsen's prior written approval is required for publication of estimates from this study in advertising, promotion or press releases, or in any publication of any kind. Such approval may be withheld unless the quotation is in accordance with Nielsen's policies as may be indicated to client in writing from time to time. No officer or employee of Nielsen is authorized to give oral approval of any form of publication.

III. RESULTS

TABLE 1

DISTRIBUTION OF CABLE SYSTEMS  
BY NUMBER OF SUBSCRIBERS

NUMBER OF SUBSCRIBERS	LATE 1976*			APRIL 1, 1980		
	NUMBER OF CABLE SYSTEMS	PERCENT	STANDARD ERROR ( $\pm$ % POINTS)	NUMBER OF CABLE SYSTEMS	PERCENT	STANDARD ERROR ( $\pm$ % POINTS)
0 - 500 . . . . .	42	28%	5**	30	20%	3
501 - 3,500 . . . . .	76	50%	5	81	54%	5
3,501 - 10,000 . . . . .	25	17%	3	30	20%	4
More Than 10,000 . . . . .	8	5%	2	10	7%	2

BASE = 151 Cable systems.

\*System managers were asked to estimate how many basic subscribers they had as of late 1976 (or early 1977).

\*Basic subscriber counts for 8 systems were obtained from the Feb. '77 Cable Fact Book.

\*\*For example, the reported percentage of cable systems with 500 or fewer subscribers in Late 1976 was 28% and the Standard Error is 5 absolute percentage points. This means that the chances are 68 out of 100 that the reported percentage would have differed by less than 5 percentage points from a percentage obtained from a complete census of all cable systems. The chances are about 95 out of 100 that the percentage would have differed by less than 10 absolute percentage points from a percentage obtained from a complete census of all cable systems. For further information see Section I.A.

TABLE 2

AVERAGE SUBSCRIBER RATE  
FOR BASIC CABLE SERVICE

<u>LATE 1976</u>		<u>APRIL 1, 1980</u>		<u>ABSOLUTE</u> <u>DIFFERENCE</u>	<u>STANDARD</u> <u>ERROR</u>	<u>-RELATIVE</u> <u>PERCENTAGE</u> <u>DIFFERENCE</u>
<u>SUBSCRIBER</u> <u>RATE</u>	<u>STANDARD</u> <u>ERROR</u>	<u>SUBSCRIBER</u> <u>RATE</u>	<u>STANDARD</u> <u>ERROR</u>			
\$6.24	±\$0.16**	\$7.23	±\$0.17	\$ .99	±\$0.05	+16%

BASE = 151 Cable systems.

\*Basic subscriber rates for 4 systems were obtained from the Feb.'77 Cable Fact Book.

\*\*For example, the average subscriber rate for the 151 cable systems in Late 1976 was \$6.24 and the Standard Error is \$0.16. This means that the chances are 68 out of 100 that the subscriber rate would have differed by less than \$0.16 from an average subscriber rate obtained from a complete census of all cable systems. The chances are about 95 out of 100 that the subscriber rate would have differed by less than \$0.32 from a subscriber rate obtained from a complete census of all cable systems. For further information see Section I.A.



TABLE 3

AVERAGE SUBSCRIBER RATE  
FOR BASIC CABLE SERVICE  
BY NUMBER OF SUBSCRIBERS

NO. OF SUBSCRIBERS*	NUMBER OF CABLE SYSTEMS	LATE 1976**		APRIL 1, 1980		RELATIVE DIFFERENCE	STANDARD ERROR	RELATIVE DIFFERENCE
		SUBSCRIBER RATE	STANDARD ERROR	SUBSCRIBER RATE	STANDARD ERROR			
0 - 500	30	\$6.05***	±0.35	\$6.97	±0.38	\$ .92	±0.19	15%
501 - 1,700	57	\$6.13	±0.29	7.21	±0.38	\$1.08	±0.13	18%
1701 - 3,500	24	\$6.32	±0.20	\$7.20	±0.28	\$ .88	±0.17	14%
3501 - 10,000	30	\$6.38	±0.19	\$7.40	±0.27	\$1.02	±0.17	16%
More than 10,000	10	\$6.78	±0.14	\$7.73	±0.17	\$ .95	±0.13	14%
TOTAL	151	\$6.24	± \$0.16	\$7.23	± \$0.17	\$ .99	± \$0.05	16%

\*Based on April 1, 1980 subscriber counts.

\*\*Basic subscriber rates for 4 systems were obtained from the Feb. '77 Cable Fact Book.

\*\*\*For example, the average subscriber rate for the 151 cable systems in Late 1976 was \$6.05 and the Standard Error is \$0.35. This means that the chances are 68 out of 100 that the subscriber rate would have differed by less than \$0.35 from an average subscriber rate obtained from a complete census of all cable systems. The chances are about 95 out of 100 that the subscriber rate would have differed by less than \$0.70 from a subscriber rate obtained from a complete census of all cable systems. For further information see Section I.A.

IV. DESCRIPTION OF METHODOLOGY

IV. DESCRIPTION OF METHODOLOGY

A. DESCRIPTION

This report provides estimates of the distribution of cable systems by the number of subscribers and subscriber rates for basic cable services. The information was provided by cable system managers via a telephone interview.

B. METHODOLOGY

1. Sample

a. Sample Source

The sample source for this survey consisted of a list of all known cable systems as identified by Nielsen Station Index. The universe for this survey was active cable systems on this list. The sample was limited to members of the universe. The list may contain systems which were not operational in 1976 or systems no longer operating (See Section IV.C). The list may not contain new systems that were not known to be operational when the list was created.

b. Sample Size

A sample of 150 completed interviews was designated by the NCTA. An initial sample of 220 cable systems was selected in 11 subsamples of 20 systems.

See Section IV., C: Sample Size -- Disposition of Telephone Interviews.

2. Questionnaire

The questionnaire used for this study was supplied by the NCTA. Revisions to the questionnaire were made by Nielsen and approved by the NCTA during the pretest phoning.

3. Telephone Survey Dates

a. Pretest Phoning

Pilot calls were made April 23 through April 25, 1980 to test the questionnaire design.

b. Interview Dates

Telephone interviews were conducted during business hours (local times) starting Friday, April 25 and ending Monday, May 5, 1980.

4. Fieldwork and Editing

The interviews were done by trained, experienced interviewers from Nielsen's Cable Department. Phoning was done from a supervised phone center in Dunedin, Florida, with facilities for monitoring interviews. Interviewers had been given detailed instructions on procedures, plus practice interviewing prior to the start of the data collection. All questionnaires were edited by trained checkers to insure accuracy,

5. Presentation of Results

The summation of the percentages in the tabled data may not equal 100% due to rounding.

C. DISPOSITION OF TELEPHONE INTERVIEWS

Completed interviews . . . . .	151
Systems Not Operational. . . . .	24
Requested Information Not Available. . . . .	7
Refused. . . . .	4
Non-Contacted Managers . . . . .	34
No Answer . . . . .	11
System Contacted/Manager Unavailable . . . . .	15
Disconnect/No New Listings Available . . . . .	7
System Not Operational in 1980. . . . .	1
Total Interviews Attempted . . . . .	220

V. APPENDIX

APPENDIX  
SYSTEM BY SYSTEM RATES  
FOR BASIC SERVICE

<u>LATE 1976</u>	<u>APRIL 1, 1980</u>	<u>LATE 1976</u>	<u>APRIL 1, 1980</u>
\$5.00	\$6.75	\$5.95	\$7.50
6.18	7.21	8.00	8.95
5.50	7.15	7.50	7.95
7.00	9.00	3.50	3.50
7.00	8.00	4.95	6.65
5.95	5.95	6.00	7.50
7.00	8.00	7.50	7.50
6.00	6.50	4.00	6.00
6.00	6.50	6.50	6.50
6.50	7.75	7.50	9.00
7.45	8.25	7.50	8.95
6.00	7.00	5.95	5.95
6.00	6.00	7.75	8.75
6.00	7.00	5.50	5.50
6.50	7.00	6.50	7.50
5.95	6.59	6.50	8.50
6.50	7.50	6.00	7.00
6.00	7.00	6.00	7.00
6.00	6.50	6.00	6.50
5.00	6.50	5.75	5.75
5.25	7.25	7.50	9.00
5.85	6.40	5.70	7.00
3.23	3.86	6.75	7.50
7.50	10.00	6.95	6.95
7.73	7.73	7.00	8.00
7.50	7.50	6.25	7.25
6.00	7.00	6.50	8.00
7.00	9.50	7.95	7.95
6.75	6.75	6.95	7.50

APPENDIXSYSTEM BY SYSTEM RATES  
FOR BASIC SERVICELATE 1976APRIL 1, 1980

\$6.00	\$7.00
6.50	6.50
7.95	7.95
6.50	6.50
7.21	7.99
7.21	7.99
5.50	6.75
7.00	8.50
8.00	8.00
7.00	8.00
4.50	12.50
4.75	5.75
6.95	7.75
7.00	7.00
5.95	8.00
7.00	8.00
4.80	4.80
7.50	7.50
2.00	2.00
5.00	6.00
6.00	6.00
4.12	5.15
5.95	7.75
2.25	2.25
7.50	7.50
6.00	8.00
5.00	6.50
6.00	6.50
6.50	7.20

LATE 1976APRIL 1, 1980

\$7.75	\$7.75
6.95	8.90
6.00	7.50
5.85	7.00
3.50	4.00
4.50	5.50
5.00	10.00
6.00	8.00
5.00	6.00
6.95	8.00
6.00	6.00
7.75	8.75
7.35	8.00
6.25	6.25
5.00	5.00
3.00	3.00
7.35	7.35
6.50	8.50
6.50	6.50
5.95	8.00
7.00	11.00
8.50	8.50
7.00	7.00
6.95	7.95
8.50	11.50
4.00	5.00
2.00	3.00
7.00	8.00
6.95	8.90



APPENDIX  
SYSTEM BY SYSTEM RATES  
FOR BASIC SERVICE

<u>LATE 1976</u>	<u>APRIL 1, 1980</u>	<u>LATE 1976</u>	<u>APRIL 1, 1980</u>
\$6.15	\$7.50	\$7.95	\$7.95
2.50	3.50	5.50	6.50
6.50	8.50	6.95	7.95
5.95	7.50	6.00	7.00
5.94	7.75	6.95	7.95
5.50	8.50	6.00	6.35
7.50	7.50	8.00	9.00
7.50	8.50	6.00	7.00
7.35	8.00	6.95	7.95
6.50	7.75	7.45	8.95
6.50	7.50	6.50	8.00
6.25	9.00	6.00	7.50
5.95	5.95	7.95	7.95
6.50	6.50	6.95	7.50
5.95	6.50	6.95	7.95
4.75	6.50	6.00	7.00
5.50	6.50	7.00	7.50
6.50	7.10		

ANALYSIS OF CABLE INDUSTRY COPYRIGHT ROYALTY  
PAYMENT AND RELATED DATA

May 1980

Table 1

SUMMARY OF CHANGE IN SELECTED  
STATEMENT OF ACCOUNT INFORMATION  
BETWEEN 1978-I AND 1979-II

<u>Category</u>	<u>Average of Sample</u>			<u>Weighted Average*</u>		
	<u>1978-I</u>	<u>1979-II</u>	<u>Percent Change</u>	<u>1978-I</u>	<u>1979-II</u>	<u>Percent Change</u>
<u>Average Subscribers</u>						
1st Set	3,378	3,851	+14%	3,870	4,413	+14%
Add. Sets	1,003	1,196	+19%	1,164	1,382	+19%
<u>Gross Receipts</u>	\$146,048	\$176,480	+21%	\$166,820	\$202,545	+21%
<u>Average Royalty Fee Paid</u>	\$1,619	\$2,114	+28%	\$2,005	\$2,569	+28%
<u>Average Royalty Fee Paid Per Subscriber</u>	\$0.49	\$0.55	+12%	\$0.52	\$0.58	+12%

BASE - 100

\*Weighted by the percentage of systems filing the 0 - \$41,500, \$41,500 - \$160,000, and more than \$160,000 forms in 1979-II.

Table 2

CHANGES IN SELECTED  
STATEMENT OF ACCOUNT  
INFORMATION REPORTED  
BY GROSS RECEIPTS FORM CATEGORY

Category	0 - \$41,500			\$41,500 - \$160,000			More than \$160,000		
	1978-I	1979-II	Percent Change	1978-I	1979-II	Percent Change	1978-I	1979-II	Percent Change
<u>Average Subscribers</u>									
1st Set	414	434	+5%	1,808	2,057	+14%	11,164	12,791	+15%
Add. Sets	59	100	+72%	479	595	+24%	3,527	4,114	+17%
<u>Gross Receipts</u>	\$17,341	\$19,830	+14%	\$80,390	\$93,125	+16%	\$479,139	\$588,617	+23%
<u>Average Royalty Fee Paid</u>	\$15	\$15	NC	\$407	\$533	+31%	\$6,674	\$8,545	+28%
<u>Average Royalty Fee Paid Per Subscriber</u>	\$0.04	\$0.03	-25%	\$0.23	\$0.26	+13%	\$0.60	\$0.67	+12%

BASE - 100

Table 3

AVERAGE NUMBER OF  
DISTANT SIGNAL EQUIVALENTS (DSE's)

	<u>1978-I</u>	<u>1979-II</u>	<u>Percent Change</u>
Average DSE's Reported	2.65	2.90*	+9%

BASE - 19

\*Excludes systems moving from the \$41,500 - \$160,000 class in 1978-I to the More Than \$160,000 class in 1979-II. These systems were not required to compute DSE's in 1978-I.

## METHODOLOGY

Data was collected from the Statement of Account forms filed with the Copyright Office by 100 randomly selected cable systems. All cable systems studied filed information in the most recent reporting period (July-December, 1979 or 1979-II) and in the first reporting period (January-June, 1978 or 1978-I). Data was collected by NCTA staff during the week of April 28, 1980.

EXHIBIT 4

BASIS OF 1976 \$8.7 MILLION

CABLE ROYALTY ESTIMATE

BASIS OF 1976 \$8.7 MILLION CABLE ROYALTY ESTIMATE

<u>ANNUAL REVENUE CATEGORY</u>	<u>SYSTEMS</u>	<u>SUBSCRIBERS</u>	<u>DISTANT SIGNAL EQUIVALENTS</u>	<u>ROYALTY FEES</u>	<u>ANNUAL ROYALTY PER SUBSCRIBER</u>
Less Than \$320,000	2,901	3,024,000	---	\$1,335,000	\$0.44
More Than \$320,000	605	7,776,000	2.5	\$7,365,000	\$0.95
All Systems	3,506	10,800,000	---	\$8,700,000	\$0.81

Notes:

1. System and subscriber data derived from 1976 Television Factbook. Revenue and royalty calculations based on 1976 data.
2. Revenue category More than \$320,000 royalty fees estimated to represent 85% of \$8.7 million total industry payment.



EXHIBIT 5

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TOTAL CABLE INDUSTRY

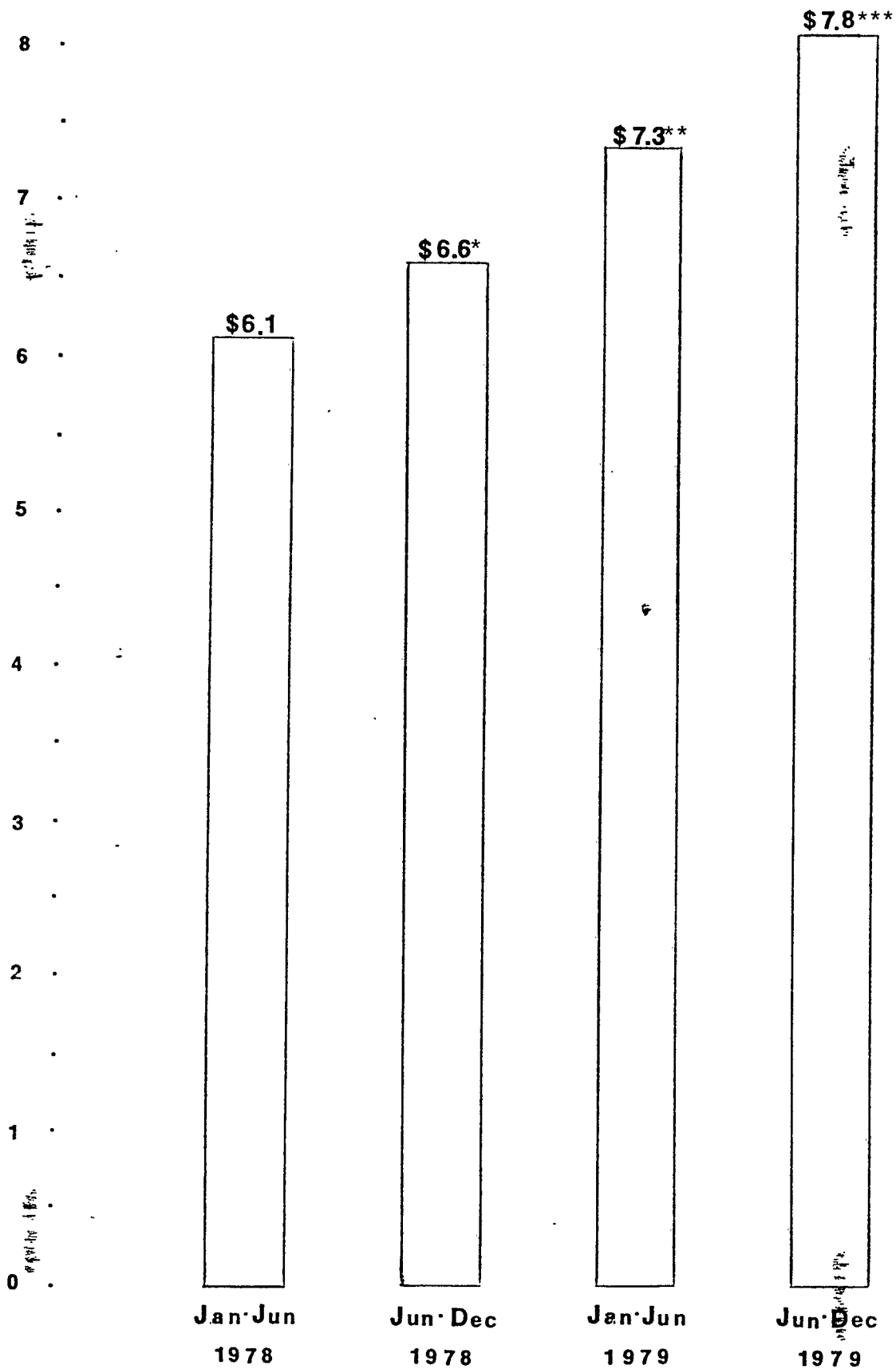
COPYRIGHT PAYMENTS

1978 and 1979

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# Bi-annual Totals

Millions

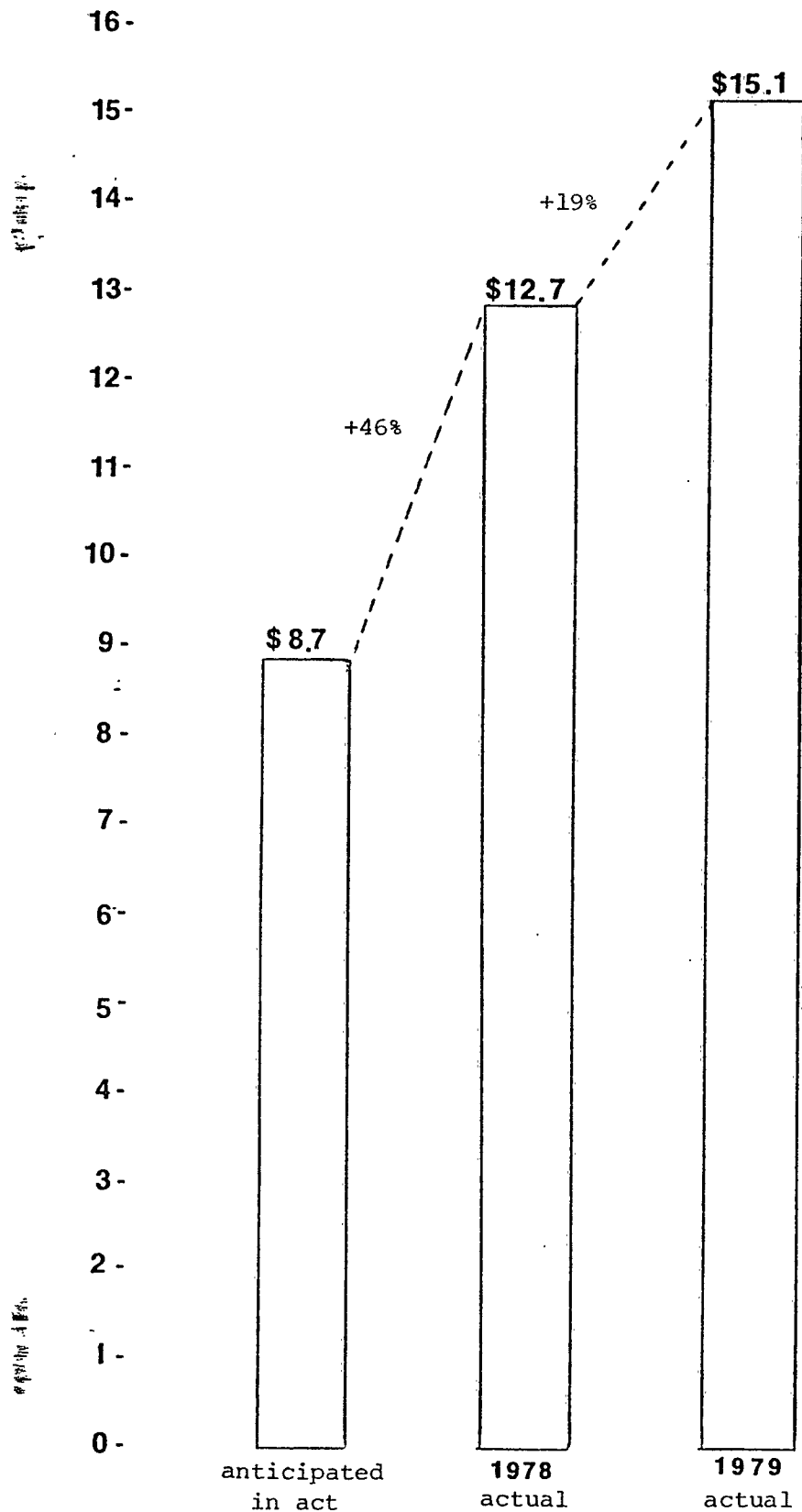


\*Increase from Jan-Jun '78 (6.1) to Jun-Dec '78 (6.6) = 8%  
 \*\*Increase from Jun-Dec '78 (6.6) to Jan-Jun '79 (7.3) = 11%  
 \*\*\*Increase from Jan-Jun '79 (7.3) to Jun-Dec '79 (7.7) = 5%

Overall Increase Jan-Jun '78 - Jun-Dec '79 = 26%

# CABLE COPYRIGHT ROYALTY FEES

Royalty Fees  
(in millions)



Source: Copyright Office as of April 15, 1980

CABLE ROYALTY FEES

Reported by Form Class

<u>REPORTING PERIOD</u>	<u>ROYALTY PAYMENT</u>	<u>0-\$41,500</u> @ \$15	<u>\$41,500-\$160,000</u> @ 8.5%	<u>MORE THAN \$160,000</u>
<u>Jan-Jun '78</u>				
Systems		1,669 (44%)	1,250 (33%)	868 (23%)
Payment	\$6,128,262	\$25,035 (0.4%)	\$560,902 (8.5%)	\$5,582,325 (91%)
<u>Jul-Dec '78</u>				
Systems		1,568 (42%)	1,281 (34%)	916 (24%)
Payment	\$6,592,007	\$23,520 (0.4%)	\$560,321 (8.5%)	\$6,008,166 (91%)
% Change in Payment		-6%	+8%	+8%
<u>Jan-Jul '79</u>				
Systems		1,520 (40%)	1,261 (34%)	980 (26%)
Payment	\$7,336,089	\$22,800 (0.3%)	\$623,568 (8.5%)	\$6,689,721 (91%)
% Change in Payment		-3%	+11%	+11%
<u>Jul-Dec '79</u>				
Systems		1,479 (40%)	1,175 (32%)	1,022 (28%)
Payment	\$7,760,740	\$22,185 (0.3%)	\$659,663 (8.5%)	\$7,078,892 (91%)
% Change in Payment		-3%	+6%	+6%
<u>Jan '78 - Dec '79</u>				
% Change in Payment		-11%	+26%	+27%
% Change in Systems		-11%	-6%	+18%

Source: Copyright Office as of April 15, 1980. Royalty payments by category unavailable. Summary of payments by category for all systems by bi Associates indicated the \$41,500-\$160,000 category accounted for 8% of total payments in 1978-I and 9% in 1979-I. NCTA assumes this category generated 8.5% of total payments in all reporting periods.

PAY CABLE INDUSTRY GROWTH

Over the past four years, the cable industry has grown at a phenomenal rate. Within the industry, the pay cable market has demonstrated remarkable growth potential.

Various estimates of the size of the basic cable and pay cable markets are available and listed below. While the estimates may differ somewhat, all record a significant growth trend over the past years. Several projections for the coming years are included.

#### Growth of Pay Cable Revenues

<u>Year</u>	<u>Pay Revenue (in millions)</u>	<u>Percent Increase</u>	<u>Pay Revenue as Percent of Total Industry Revenue</u>
1976	\$ 41.0		4%
1977	85.8	109%	7%
1978	192.0	124%	13%

- FCC Financial Data

#### *Growth of the Pay Cable Industry \**

<u>Date of Census</u>	<u>Pay Cable Subscribers (in millions)</u>	<u>Systems with Pay Cable</u>	<u>Percent of Penetration of Homes Passed</u>	<u>Percent of Penetration of Basic Cable</u>
7/15/73	.035			
9/1/74	.100			
6/30/75	.265	150		
6/30/76	.766	253	11.5	24.3
6/30/77	1.174	441	11.5	22.5
6/30/78	2.353	789	16.2	30.9
6/30/79	4.334	1,498	19.9	37.7
12/30/79	5.731	2,115	22.3	41.3

\*Source: Chart compiled by Paul Kagan Associates, Inc.

#### Cable TV Industry Revenue

(millions of dollars)

	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>
Basic cable TV revenue	\$ 894	1,028	1,175	1,364	1,647
Pay cable revenue	65	124	238	460	800
<u>Total cable TV revenue</u>	<u>\$ 959</u>	<u>1,152</u>	<u>1,413</u>	<u>1,824</u>	<u>2,447</u>

- Paul Kagan Associates Inc. estimate  
Pay TV Newsletter, May 7, 1980

## Projections of Industry Growth

### Estimated Growth in Cable Industry Revenues 1977-81

	Basic Subscribers (000)	Pay Subscribers (000)	Avg. Monthly Rate		Est. Revs. from Basic & Other (000)	% Change	Est. Revs. from Pay Cable (000)	% Change	Est. Total Revenues (000)	% Change
			Basic	Pay						
1981	19,325	9,500	\$8.00	\$9.00	\$1,939,600	+ 16.7%	\$912,600	+ 39.3%	\$2,852,200	+ 23.1%
1980	17,075	7,400	7.70	8.60	1,662,100	+ 15.3	655,300	+ 53.2	2,317,400	+ 24.0
1979	15,320	5,300	7.40	8.30	1,441,500	+ 13.9	427,700	+ 78.7	1,869,200	+ 24.2
1978	13,920	3,289	7.10	8.09	1,265,600	+ 13.0	239,400	+ 178.8	1,505,000	+ 24.8
1977	12,832	1,642	6.85	7.92	1,119,994	-	85,882		1,205,876	

Source: DLJ 1978-81; Federal Communications Commission 1977 revenue and subscriber data; Pay TV Newsletter 1977-78 pay cable subscribers and rates.

### Additional Estimates, 1980-1985:

Paul Kagan Associates, Inc. (Cablecast, November 16, 1979):

	<u>Pay Cable Subscribers</u>	<u>Revenues</u>
For December 1980:	8.4 million	\$1 billion
For December 1985:	18.9 million	\$2.3 billion

Drexel Burnham Lambert (John Reidy, Evolution of the Media in the 1980's, November 1979):

15 million pay cable subscriber by 1985

Donaldson, Lufkin & Jenrette (November 1979):

9.5 million pay cable subscribers and \$912.6 million in revenues by 1981

Department of Commerce (U.S. Industrial Outlook, January 1980):

14.5 million pay cable subscribers by 1984

Home Video Report (March 1980):

17 million pay cable subscribers by 1985

EXHIBIT 7

POTENTIAL CABLE MARKETS FOR THE PROGRAM SUPPLY INDUSTRY



The ever increasing number of channels offered by cable systems will require more and more programs to fill the hours. Attached is a list of recently granted franchises in major markets where the channel capacity promised will challenge programmers to meet new demand.

In addition, the advent of multi-tiered pay programming offers suppliers another avenue for increased revenues.

Pay cable's success has sparked interest in offering subscribers more than one service at the same time. Within the past two years, a number of mini services have been introduced--cheaper, abbreviated versions of the traditional maxi pay service, to be taken instead of, or in addition to the maxi service. In addition, an increasing number of systems are offering the option of taking more than one of the maxi services. Estimates of the number of systems currently offering some combination of multi-tier programming range from approximately 90 to almost 140.

Several mini services have emerged in the last two years. Among these are: Showtime's Front Row (with approximately five affiliates), HBO's Take II (approximately 45 affiliates), and Home Theater Network (approximately 50 affiliates). The average cost of mini service is four to five dollars. Mini services have had relatively high churn rates, due especially to duplication of programming available on counterpart maxis. Mini services have proven more successful when introduced with maxi services, rather than added on to existing maxi services.

Dual maxi service is currently being offered by approximately 30 systems. Though still relatively new, preliminary results appear encouraging - with 60 to 70 percent of all subscribers opting for both services in most instances. HBO is currently planning a second maxi service (though it will have to make arrangements for Take II due to a shortage of satellite transponder space). Teleprompter (co-owner with Viacom of Showtime) is also looking into offering a second maxi service.

AREA FRANCHISED	DATE GRANTED	CHANNEL CAPACITY	PROJECTED HOMES PASSED	SERVICES TO BE OFFERED
Pittsburgh, Pennsylvania	1/30/80	78*	200,000	<p>Five tiers of basic service will be offered:</p> <p>17 channels</p> <p>21 channels</p> <p>29 channels - with pay option</p> <p>42 channels - with pay option</p> <p>52 channels - QUBE system (interactive system)</p> <p>Expenditures in excess of \$3 million for local programming studios and equipment are anticipated. (Pittsburgh Courier, December 1, 1979)</p> <p>Access to minorities is being emphasized.</p> <p>Security alarm system will be offered.</p>
Farmers Branch, Texas (Dallas-Fort Worth Area)	3/21/80	47	8,500	<p>Service options are:</p> <p>24 channels - with one pay option</p> <p>40 channels - with four pay options</p> <p>A studio for local origination will be provided.</p> <p>Burglar, fire alarm, and medical alert systems will be offered.</p>
Little Rock, Arkansas	2/12/80	39	60,000	<p>Will offer two tiers of basic and two to three tiers of pay service.</p> <p>Will have two-way capability.</p>

\*Includes institutional network.

AREA FRANCHISED	DATE GRANTED	CHANNEL CAPACITY	HOMES PASSED	SERVICES TO BE OFFERED
Anaheim, California	1/26/80	37 (3 reserved) (expandable to 50)	87,000	<p>Three pay options will be offered.</p> <p>Institutional network planned.</p> <p>A channel will be provided for Cal State Fullerton and equipment will be offered for the two studios already built at the college. Students will operate the equipment.</p> <p>One channel will be for the use of the area school system.</p>
Monterey Park Montebello, California	<p>Monterey Park 12/79</p> <p>Montebello 1/80</p>	54	40,000 (combined)	<p>Will offer four pay services (including a Spanish-language and an Asian channel).</p> <p>A community service channel will be offered.</p>
Chapel Hill, North Carolina	11/79	35	12,000	<p>Will offer:</p> <p>Three tiers of basic service Three tiers of pay service</p> <p>A sports channel will be donated to the University of North Carolina.</p> <p>Over-the-air broadcast service will be free after initial installation charge.</p> <p>Security alarm system will be offered.</p>
Louisville, Kentucky (Jefferson County)	11/79	38	165,000	<p>10 access channels will be offered.</p> <p>Burglar and fire alarm system options.</p> <p>Carriage of Reuter's data retrieval is planned.</p>

AREA FRANCHISED	DATE GRANTED	CHANNEL CAPACITY	HOMES PASSED	SERVICES TO BE OFFERED
Lexington, Kentucky	10/25/79	35	70,000	<p>Fifty-one, 52 channel institution network to be provided.</p> <p>\$907,000 has been pledged for local origination programming.</p> <p>Security alarm system.</p>
Orange, California	10/79	35	30,000	<p>Link with Chapman College planned. Equipment will be added to the college studio; school will also get its own FM station.</p> <p>Institutional network will link city hall, the school district, and senior citizens' center.</p> <p>Special funding is being set up to aid schools in programming. System will give Time-Life films to school system.</p> <p>Emergency alert system.</p>
Atlanta, Georgia	10/15/79 (transfer from Cox & Inner City)	95	160,000 (city)  20,000 (Fulton County)	<p>Fifty-four channels will be available for the home subscriber.</p> <p>Offers three tiers of pay programming.</p> <p>Public access offered.</p> <p>Security alarm system.</p>
Grosse Pointe Shores, Michigan	6/79	35	12,000	<p>Will offer:</p> <p>Four pay services</p> <p>Seven access channels</p> <p>Plans mobile production units to cover local events.</p> <p>May eventually have provisions for "energy management systems, medical, fire...home computers, ...." (<u>Ad Age</u>, September 24, 1979)</p>

AREA FRANCHISED	DATE GRANTED	CHANNEL CAPACITY	HOMES PASSED	SERVICES TO BE OFFERED
Grosse Pointe, Michigan (One of five franchises granted)	Sept.-Dec. '79	35	20,000	Will offer:  Three tiers of pay  Public access  Profits will be split 50/50 with the city; 25 percent of which will go to a community organization.
Denver, Colorado	Franchises in 11 suburban communities are currently being renegotiated	28 (expandable to 35)	75,000 (combined)	Will offer:  Multi-tiers of pay  Educational and county 'public information channel'  Shopper's guide
Park Cities Highland Park University Park, Texas (Dallas-Fort Worth area)	Park Cities 5/79 Highland Park Univ. Park 8/79	36	Park Cities 4,000 Highland Park Univ. Park 14,000	<u>Park Cities:</u> \$250,000 has been pledged to SMU for their studio. In exchange, SMU is to get two channels - one for public access, one for SMU programming.  <u>Highland Park, University Park:</u>  Security alarm systems
Dunedin, Florida	5/79	35	25,000	Institutional network is planned.  Security and fire alarm systems.

AREA FRANCHISED	DATE GRANTED	CHANNEL CAPACITY	HOMES PASSED	SERVICES TO BE OFFERED
Oak Park, Illinois (One of 15 Chicago suburbs)	4/10/79	36	100,500 (combined)	<p>Packaged option includes satellite programming (for example, ESPN, MSG, UPI, Nickelodeon, etc.) plus programming of the local Catholic diocese - price: \$4.50.</p> <p>Two pay services offered</p> <p>Own movie programming</p> <p>Own sports programming</p> <p>Local origination planned from "remote locations" (<u>Broadcasting</u>, 1/14/80)</p> <p>Increased channel capacity being anticipated</p> <p>Two-way anticipated</p>
Denton, Texas	1/23/79	35	17,300	<p>Link-up with Texas Women's University and North Texas State: each with one channel that may be used open or closed.</p>
Houston, Texas (Five franchises granted)	1/79	35	775,000 (combined)	<p>All five franchises offering:</p> <p>Two public access channels</p> <p>Two educational access channels</p> <p>Will construct (or share) production studios.</p> <p>One franchise will program 21 channels</p> <p>One franchise will offer security and medical alert systems.</p>
Fort Lauderdale, Florida	3/78	35	50,000	<p>Burglar and fire alarm system</p> <p>Police surveillance</p> <p>Public, educational, and government access</p>

Among the bids submitted March 31 for the Dallas franchise (2,360 miles, to pass 391,000 homes) were proposals for the following services:

Channel Capacity:

One applicant's bid includes proposed channels totaling 198. (With use of dual cables: 52 channels on each; 42 channels on an institutional network; plus an additional 52 vertical blanking interval channels via a recently released addressable converter-descrambler which half of the six bidders plan to use. This equipment promises to bring 'virtually any two-way cable service that can be envisioned directly to the consumer'.)

Basic Service:

Three applicants are offering free universal service as their lowest tier option; one applicant dropping even any installation charge.

Local Origination:

Pledges for up to \$13.5 million were submitted; the money to be used for local origination studios and equipment.

Pay Cable Programming:

Two applicants offered a total of six tiers of pay options, maxi and mini services.

All applicants are offering two-way service, and therefore, some form of pay-per-view service.

Minorities:

One applicant is proposing establishment of a black and an hispanic channel - these to be aided for five years with matching funds (up to \$100,000/year/channel) - after which, for the next ten years, the channels will pay the applicant 10 percent of their gross advertising revenues.

Access:

The Dallas RFP called for a minimum of 11 access channels:

Seven educational channels  
One foreign-language channel  
One government access channel  
One religious access channel  
One public access channel

Most applicants surpassed these requirements in their provisions for access.

One applicant will set aside one percent of gross revenues for public access.

Security Systems:

All applicants are offering security systems.

Data Transmission:

Several applicants plan either low or high speed data transmission service.

Source: Cable TV Regulation; April 9, 1980.